

Pensions Regulation

LIA Pension Seminars 2011

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The Pensions Board

www.pensionsboard.ie



An Bord Pinsean
The Pensions Board

The Pensions Board

Established by the Pensions Act, 1990

Main functions under the Act include monitoring and supervising the operation of the Act and pension developments generally

Operations:

- Supervision, regulation and enforcement
- Policy, legal and actuarial
- Information and awareness
 - Deliver NPAC on behalf of the Government

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Pensions information



Pension
Calculator

'Simple Pensions Calculator'
'Advanced Pensions Calculator'
'Savings Calculator'



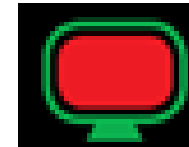
Information
Booklets

'PRSA's Employers' Obligations'
'What are my pension options?'
'Women and pensions'

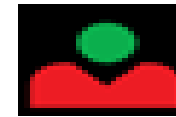


Pension
Checklist

'Pensions Explained'
'Trustee & Employer On-the-spot Fines'
'Investments, Fees & Charges'



Free Online Trustee Training,
Guidance & FAQs, E-mail alerts
& Trustee supports



Enquiry service
[info@pensionsboard.ie/](mailto:info@pensionsboard.ie)
01-6131900

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Types of pensions

- Company Pensions
 - a. Defined benefit schemes
 - b. Defined contribution schemes
- Personal Retirement Savings Accounts (PRSAs)
- Retirement Annuity Contracts (RACs) or Personal Pensions

Numbers in Irish private pensions

- ❑ **Company Pension Schemes** (at 31 December 2010)
550,229 members in 1,105 DB schemes
259,732 members in 75,183 defined contribution schemes
- ❑ **Personal Retirement Savings Accounts (PRSAs)** (at 31 December 2010)
187,114 PRSAs with asset value of €2.74 billion
(91,874 employers had signed up with a PRSA provider)
- ❑ **Personal Pension Plans and Retirement Annuity Contracts (RACs)**
(In excess of 200,000 contracts – Irish Insurance Federation)

Why have a Pension?

Life expectancy is increasing - the average person retiring today aged 65 has a life expectancy of 20 - 23 years

What kind of lifestyle do you want in retirement and how will you fund it?

Current State pension = €230.30 per week

Consumer Market research shows that approximately 8 out of 10 people say - that the State pension will not meet all their needs in retirement

Pension = Income in Retirement

Tax Relief on Pensions

- Income Tax and PRSI relief on employee contribution
- Part of your retirement benefit may be paid as tax-free cash sum



Tax relief on personal contributions

The maximum contribution rate as a percentage of total pay/net relevant earnings on which you can receive tax relief is:

<u>Highest age at any time during the tax year</u>	<u>Limit</u>
Under 30	15%
30-39	20%
40-49	25%
50-54	30%
55-59	35%
60 and over	40%

Notes: For tax purposes these contributions are limited to earnings up to a maximum of €115,000 in any year.

Changing world we live in

We are Living Longer

More Contract Work

More mobility in careers

Changing work patterns

More Part Time Working

Single Parent Households

Smaller Families

Separation/Divorce



Changing Demographics

	2006	2026	2056
No's at Work	2,000,100	2,268,000	2,125,000
Aged over 65	464,000	844,000	1,532,000
No's at work per person over 65	4.3	2.7	1.4

Pensions in the workplace

“A good pension is a valuable asset, don’t leave work without it”

- The workplace is the optimum location for pension provision and for pension information and education
- There is a stronger commitment from employees to participate in pension schemes where the employer makes a contribution
- A company benefits from having:
 - a reputation and respect as a good employer
 - a workforce that feels valued and important
 - increased loyalty and commitment from staff
 - an enhanced staff recruitment, reward and retention package



Employers' Obligations/ Opportunity

Access for all Employees

- By law an employer must provide **ALL** employees with some form of access to a pension, whether they are in full-time, part-time, temporary, contract or casual employment.
- All employers regardless of the size of their workforce are obliged to provide access to a Standard PRSA if those employees fall into the category of “excluded employees” (details available on the Board’s website).
- Pensions Board encourages employers to regard pensions as part of the recruit, reward & retain approach to staff
- Pensions Board also encourages all employees to ask the employer about their pension rights



The National Pensions Framework

Introduced by the Minister for Social Protection in March 2010

The recommendations in the Framework include :

- increasing the State pension age to 66 in 2014, 67 in 2021, 68 in 2028
- introducing auto-enrolment into a pension for those aged 22 years or over and in employment from 2014 - offering an opt-out mechanism for employees - proposing matched contributions from the employer and the State
- new model defined benefit pension scheme
- new model for public servants

An Implementation Group has been established to progress the National Pensions Framework

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The Board's powers

- Section 18 Authorisation – furnishing of information
- Section 58 - prosecution for non-remittance of deductions within 21 days
- Section 87 - High Court order to have a company pay 'unpaid' contributions back to a scheme



Regulation, Supervision & Enforcement

- On the spot fines regime introduced in September 2007 - fine for each offence = €2,000
- Registered Administrators introduced in November 2008
- Compulsory trustees training – introduced February 2010



Trustee Information

- Under the Pensions Act trustees have the main responsibility for:
 - the administration of funded occupational pension schemes
 - compliance with the requirements that apply to these schemes.
- Under the Act, the Board has a responsibility to:
 - provide guidance for trustees on their duties and responsibilities in relation to scheme administration
 - issue codes of practice on specific aspects of trustees duties.
- These responsibilities are a clear recognition of the central role which trustees have in:
 - ensuring schemes are properly administered
 - members' pension rights are fully safeguarded and that they and their dependants ultimately receive their pensions.

Responsibility of Trustees

- The main duties of Trustees under the Act are to:
 - register the scheme with the Pensions Board
 - ensure contributions are deducted and paid over to the scheme
 - invest the funds and pay the benefits
 - ensure that the funding standard is met
 - keep records and accounts
 - preserve or transfer benefits
 - ensure equal pensions treatment
 - apply the resources of the scheme on wind up
 - disclose information as required

Compulsory Trustee Training

- **Who must receive training?**

From 1 February 2010 every trustee must undertake trustee training in accordance with section 59AA of the Pensions Act. This includes:

- individual trustees
- member trustees
- all directors of a company which is acting as a corporate trustee
- pensioner trustees
- professional trustees.

- **When will a trustee be obliged to undertake trustee training?**

Trustees are required to receive training within six months of their appointment and at least every two years thereafter.

What is trustee training required to cover?

Trustees will be required to receive training on:

- (a) the Pensions Act, the regulations made under it and any other law of general application governing the operation of their scheme such as the:
- Pension provision of the Family Law Acts
 - Protection of Employees (Part-Time Work) Act 2001
 - Protection of Employees/Employers (Insolvency) Act 1984
 - Protection of Employees (Fixed Term Work) Act 2003
 - Employment Law
 - Finance legislation
 - EU “IORPS” Directive.
- (b) the duties and responsibilities of trustees generally.

Supports for Trustee Training

- The Board supports appropriate trustee training in the following ways:
 - the Trustee Handbook
 - an extensive range of guidance and FAQs on pension matters generally
 - booklets and checklists for trustees
 - the Board provides an information and enquiry service
 - a register of trustee training providers is available on the Board's website
 - the Board has developed an e-learning facility for trustees which is free of charge and can be accessed on the Board's website



What's expected of Trustees

- The essential job of trustees is to look after money on behalf of others - responsible for over €70 billion of pension savings - trustees are essential to the operation of the Irish pensions system.
- Before describing what the Pensions Board expects of trustees, it may be useful to set out what we do not expect:
 - trustees are not expected to be full-time
 - are not expected to be pension professionals
 - are not expected to be infallible.
- Nonetheless, trustees are looking after money on behalf of other people. Therefore there are minimum standards they must satisfy:
 - they must have certain basic knowledge
 - they must engage
 - they must act reasonably
 - they must have process

Making Decisions

- The Pensions Board expects trustees to be organised and to have process.
- This means formal recorded meetings, proper agendas which deal with all important issues and records of decisions.
- As well as being important and useful in itself, this process is the best means for trustees to demonstrate that they have been reasonable.
- Where trustees do not have the knowledge themselves, they should engage professionals.



Engaging Professionals

- The main areas are administration, investment, communication and, for DB schemes, funding.
- By definition, these experts will be talking about matters that the trustees are not familiar with.
- It is the trustees' job to question them, to push back, and not to accept answers that they don't understand or do not feel to be right.
- This is probably the most challenging aspect of being a trustee.
- Trustees must recognise **that it is their responsibility to make decisions**, and their options should be set out for them clearly by the professional advisers.
- It is important that trustees identify the decisions that they are making, and that they have set out the alternatives among which they are deciding.



When things go wrong !

- Where there is a problem, trustees should inform the Pensions Board.
- What the Board wants to see is :
 - prompt notification by trustees – there should be no effort to conceal the problem
 - a full description of what happened, why, and what effect it had on members
 - what is being done to rectify the problem
 - what is being done to ensure it will not happen again
- Trustees should remember that administrators are now regulated:
 - this is an important additional protection for trustees
 - where trustees believe that administrators are not doing their job, trustees should inform the Pensions Board
 - this does not remove the obligation on the trustees to resolve their own issues, but it will help the Pensions Board to improve standards.

Sanctions for Non-Compliance

- On-the-spot fines for specified breaches
- Mainly administrative type breaches:
 - Late registration of schemes
 - Failure or delay in notifying amendments to the Board
 - Disclosure of information – failure to provide required/requested information
 - Failure to reply to a Board request for information
 - Failure or delay in submitting AFCs (for funded DB schemes only)
- Fine for each offence is €2,000 per trustee/administrator
- Fine cannot be paid out of the resources of the scheme
- More serious breaches of the Act will continue to be dealt with in the Courts

Registered Administrators (RAs)

From 1 November 2008 trustees of every scheme (including large Trust RACs) must appoint an RA to provide “core administration functions”

- Core administration functions are:
 - preparation of annual reports
 - preparation of benefit statements
 - maintenance of sufficient and accurate member records to discharge above

- No RA qualification specified but RA must be satisfied they are competent and capable of:
 - providing core administration functions
 - have systems and procedures in place to deliver services

(SOCIAL WELFARE AND PENSIONS ACT, 2008)



On-the-spot fines

- Introduced in Social Welfare Law Reform and Pensions Act, 2007
- Alternative to going to court - more efficient way of addressing compliance issues
- Board gives offender 21 days to remedy the offence and pay the appropriate fine (€2,000)
- On-the-spot fines apply to a range of lesser offences under the Pensions Act, including:
 - failure to register a scheme with the Board
 - failure to provide scheme members with appropriate information
 - failure to respond to requests for information from the Pensions Board
 - employers not advising employees of pension or PRSA deductions



Pension Adjustment Orders (PAOs)

- PAOs do not apply for judicial separations or foreign divorces;
 - if granted before 1/08/1996,
 - Irish divorces granted before 27/02/1997
 - for non judicial separations i.e. separation by agreement.
- A PAO designates part of the pension benefits
 - to a non member spouse
 - or person representing a dependent child.
- Court rules on 2 key factors – relevant period and relevant percentage.
- The Civil Partnership and Certain Rights and Obligations of Cohabitants Act 2010 (“the Act”) entered into force on 1 January 2011. It extends marriage-like benefits to same sex couples in registered civil partnerships in the areas of property, social welfare, succession, maintenance, pensions and tax. It also establishes a financial redress scheme for opposite sex and same-sex cohabiting couples who meet certain conditions.
- For further information, see - “A brief guide to the provisions of the Family Law Acts” booklet on the Board’s website.



Questions & Answers

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